Enterprise Risk Management Program Update

This attachment provides an update on current key initiatives and focus areas for the Enterprise Risk Management (ERM) program in 2023-2026.

Risk Maturity

On 2022 December 12, the Executive Leadership Team (ELT) approved Advanced (Tier 4) as the desired level of risk maturity for the organization (ELT2022-0962). This was also communicated to the Audit Committee on 2023 January 19 (AC2023-0011). The ERM team was directed to develop a detailed plan to achieve an Advanced (Tier 4) level of maturity by 2024 Q1. For descriptions of each of the risk maturity levels within the Risk and Insurance Management Society (RIMS) Risk Maturity Model, please refer to Appendix 1.

2023 Risk Maturity Survey Results

A Risk Maturity survey is distributed annually to key partners in the organization to measure the effectiveness of the organization's efforts to increase risk knowledge, awareness, application, and culture within The City. For 2023, the average risk maturity rating based on all responses received is 2.8. A summary of the "Average Risk Maturity Rating from 2019 - 2023" and the desired state is provided below.
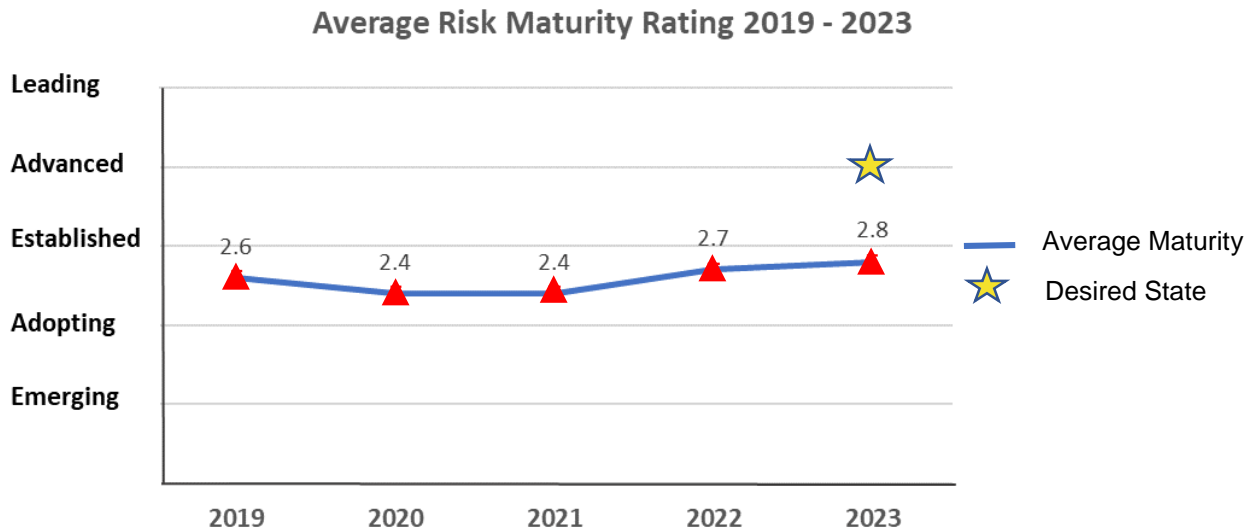
The above figure displays the weighted average risk maturity rating based on all the responses received for the corresponding year. Note that the risk maturity model was updated in 2022 to align with the RIMS Risk Maturity Model. Results prior to 2022 do not reflect the views of the members of the ELT, Directors, and Managers and below, as they were not included in the survey.

ERM Focus Areas

Four focus areas have been identified for 2023-2026 to further our progress toward the desired level of maturity. An update on the four areas is outlined below. In addition, a Fraud Risk Management framework will be developed to further support the risk management process at The City.

1. Risk Governance

Organizational Risk Governance

Work is underway to develop a risk governance framework to elevate risk management across the organization. We are working collaboratively with Operational Services to develop and pilot a risk governance process for the department and plan to leverage from existing risk processes, as well as best practices from the RIMS Risk Maturity Model. A risk governance working group has been established, which will support the advancement of this initiative.

We continue to build awareness and understanding of risk governance across the organization and obtaining support for developing a framework.

ELT Focus Group

The ELT established an ELT focus group in Q3 of 2023. The purpose of the group is to provide a forum for executive leaders to engage in-depth on organizational risk maturity and risk reporting. The group has already met twice and is currently working closely with the ERM team to create a risk maturity plan that will be presented to the ELT in Q1 of 2024.

Principal Corporate Risk Alignment Update

The Principal Corporate Risks (PCR) are designed to offer the ELT an overview of the top, most strategic risks to the organization. Due to the recent organizational structure changes whereby the Chief Administrative Officer and Chief Operating Officer roles were created, the ERM team has proposed a path forward to adjust the current PCR structure and framework intended to enhance and ensure alignment.

Audit Committee Engagement

The ERM team proactively seeks opportunities to interact with the Audit Committee and provide them with relevant information essential for effective risk oversight. This includes sharing the half-yearly risk report, organizing 'lunch and learn' sessions to discuss topics of interest to the Audit Committee, and seeking their inputs on risk governance matters.

2. Improved Reporting

Enhancement of risk reporting across the organization continues. Our focus remains on increasing the objectivity of risk information by utilizing data to support risk assessments and providing more objective guidelines for rating risks.

To achieve this, we are currently reviewing our present risk impact guidelines, which are included in the 5x5 Risk Rating matrix. Our team is collaborating with subject matter experts to broaden the current impact categories and improve the criteria within them, thereby reducing subjectivity. This will enable services to rate risks more objectively and consistently.

We are also working with teams from each of the PCRs to identify Key Risk Metrics (KRMs) that will help us assess the PCRs through data-driven analysis. These metrics will be included in the semi-annual risk

reports starting from 2024 June and will offer us insight into the pressures that affect the PCRs and how The City's strategies impact them. More information is available in Attachment 4.

We are also updating the PCR descriptions to better align them with our risk description structure guidelines and to clarify the definition of each PCR. The updated PCR descriptions can be found in Attachment 2 (Appendix 2).

During Q3 of 2023, we completed the work to establish our recommended target residual risk ratings for the PCRs. We believe that taking a proactive approach helps us set a desired level of risk and manage it accordingly. The target residual risk ratings are designed to support us in maintaining a reasonable risk appetite while ensuring that our response strategies are effective and efficient. This work also helps us monitor and respond to any internal or external factors that may impact our risks. You can find the complete list of Target Residual Risk Ratings in Attachment 2.

Since the spring of 2023, we have socialized and adjusted the Corporate Operating Risks (CORs) following our Corporate Risk Review Process. After consulting with subject matter experts and leaders, we have aligned the CORs to other corporate programs better. The CORs have a scope that is between the broad, strategic Principal Corporate Risks and the more tactical Service Risks. They provide a better understanding of common themes, patterns, trends, and response strategies that are present throughout the organization. We used them to categorize risks as part of the Fall 2023 Service Risk Register (SRR) submission process and subsequent bottom-up summary.

3.   Risk Appetite/Tolerance

The ERM team is in the process of engaging senior leadership on risk appetite and tolerance. We intend to continue these conversations into 2024. We are also developing certain foundational components of risk appetite and tolerance such as Target Residual Risk Ratings and Key Risk Metrics as noted above. Through these efforts, the ERM team will continue to advance the risk appetite and tolerance framework and support the organization in applying it into strategic decision making.

4.   ERM Integration

As a part of our efforts to improve the consistency of risk management practices and to support the advancement of risk culture and risk maturity, we have been integrating the ERM framework across the organization. We also provide customized tools, interactive risk workshops, and consulting services for significant projects, programs, and initiatives.

Recently, we completed an engagement with the Community Services leadership team as a part of our initiative. The aim of this engagement was to demonstrate the value of risk management, help advance risk culture and maturity, and assist the organization in utilizing targeted support to take advantage of opportunities.

Fraud Risk Management Framework

We have embarked on developing a Fraud Risk Management Framework to support the organization in identifying, tracking, and addressing any fraud-related risks that it may face. We will work closely with subject matter experts from various business units with oversight responsibilities and will seek input from the City Auditor's Office to incorporate their insight based on audit and leading investigative professional practices.

Performance Measures

ISC:UNRESTRICTED

We developed performance measures for the ERM program which align with our 2023 – 2026 program goals. These are measured annually through the Risk Maturity Survey and are tabulated below for reference.

No	Performance Measure	Results		Description
		2023	2022	
1	Risk Maturity	2.8	2.7	Weighted average risk maturity score.
2	Risk Management in Service Planning and Budgeting	22 per cent	34 per cent	Per cent of respondents indicating that risks are considered and analyzed to revise assumptions, strategies or actions.
3	Risk Appetite & Tolerance	22 per cent	26 per cent	Per cent of respondents indicating that risk appetite and tolerance are formally expressed and considered as part of the planning process.
4	Role Clarity	89 per cent	74 per cent	Per cent of respondents indicating that they understand their role either "Somewhat clearly" or "Very clearly".

Appendix 1: RIMS Risk Maturity Model

Risk Maturity Level	Characteristics
Emerging - Tier 1	No formal capability in place. Risk management is individually driven. Decision making is subject to inconsistent risk-related principles and results.
Adopting - Tier 2	Capability exists on paper. Organization does not have clear engagement from stakeholders. Decision making is primarily driven by qualitative risk considerations.
Established - Tier 3	Capability exists in repeatable processes; senior level understanding of objectives for managing risk and key program elements exist. Decision making is informed by risk data.
Advanced - Tier 4	Capability exists in repeatable processes informed by external context; senior level understanding flows to middle management; business and corporate alignment to risk management framework exists. Decision making is influenced by risk analytics.
Leading - Tier 5	Capability exists in a continuous improvement cycle, informed by internal and external inputs. Decision making is future oriented, proactive, and guided by risk analytics, insights, and risk-related principles.